LICENSE REQUIREMENTS

Owners of residential rental properties are required to obtain and maintain a privilege (sales) tax license. The license must be maintained in the name of the owner, not a property management company.

Owners may list multiple residential rental properties located in Tempe under one license as long as each property consists of four or fewer rental units and the legal owner of each property remains the same.

CHANGES IN TITLE OR OWNERSHIP

You must notify Tax and License within 30 days of:

- Purchased or sold properties
- Change in legal ownership
- Change in mailing address

COUNTY REQUIREMENTS

In addition to your City of Tempe licensing requirements, you must also register and classify your property as a rental with the Maricopa County Assessor's Office. You may be subject to fines if you do not. Please contact them directly at (602) 506-3877 or on-line at www.maricopa.gov/assessor.

WHAT IS THE TAX RATE?

The City's tax rate is 2.0%

FOR ADDITIONAL INFORMATION

Call: (480) 350-2955

Visit the Tax & License Web Page at:
www.tempe.gov/salestax

Email:
rent@tempe.gov

Write or Visit:
City of Tempe
Tax & License Division
20 E. 6th Street, 3rd Floor
Tempe, AZ 85281

Hours:
Monday – Friday 7 a.m. – 5 p.m.

Neighborhood Enhancement Division
landlord/tenant information:
www.tempe.gov/codee/rentingintempe.htm

This publication is for general information only. Please refer to the City of Tempe Code for complete information.

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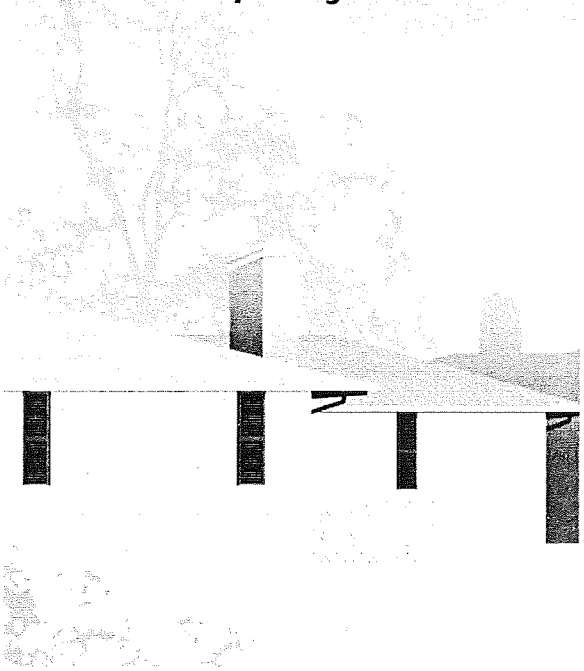
RESIDENTIAL

Real Property Rentals



City of Tempe
Privilege (Sales) Tax

CITY OF TEMPE ARIZONA

WHO MUST PAY THE TAX?

You must be licensed and pay tax if you lease or rent residential real property located within Tempe. The entity leasing or renting to the tenant in actual possession is responsible for the tax.

Examples of residential rentals include: houses, condos, townhouses, apartments, manufactured homes, and mobile home (trailer) spaces. Rental of a residential space, such as a room to a college student, is also taxable.

Rentals for less than 30 consecutive days are subject to an additional 3% tax on Transient Lodging.

WHEN IS THE TAX DUE?

Your tax return and payment is due on the 20th day of the month following the reporting period.

ZONING REQUIREMENTS

The City zoning laws allow no more than three unrelated people to occupy any one single-family residence. For more information, please contact the City of Tempe Neighborhood Enhancement at (480) 350-8372.

WHAT IS TAXABLE?

All amounts paid by the renter to, or on behalf of, the owner are taxable.

In addition to rent, taxable income includes payments by the tenant for:

- Pet fees
- Telecommunications (cable TV, phone, internet)
- Non-refundable deposits
- Forfeited deposits
- Utilities
- Pool service or landscape maintenance
- Homeowner association fees
- Late fees, court fees and legal fees
- Repairs and/or improvements
- Property taxes
- Mortgages or home equity loans

DEDUCTIONS FROM INCOME

The Tempe privilege tax is calculated on your gross receipts. It is not a tax on your net income. Expenses are not deductible.

The following items may be taken as a deduction on your tax return when they are included in the gross reported receipts:

- City tax collected or factored
- Bad debts on which tax was paid on a previous return
- Refundable security deposits, unless they are forfeited
- Utility charges, only if individual utility meters have been installed and each tenant pays the exact amount billed by the utility company
- Room charges to patients of qualifying health care organizations

The following expenses paid by the owner or tenant are NOT allowable deductions:

- Payments for repairs, pool service, landscape maintenance or other service labor
- Homeowner association fees

CALCULATING THE FACTORED TAX DEDUCTION

If you include tax in your rent (no separate charge for tax), you may compute the amount of tax included in your gross income for deduction purposes in the following manner:

Gross Income	X	Factor Rate	=	Factored Tax Deduction

Example:
$950.00 X 0.019608 = $18.62